

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	CASE NO.
OF A DEPRECIATION STUDY)	2006-00236

SECOND DATA REQUEST OF COMMISSION STAFF
TO EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to 807 KAR 5:001, Commission Staff requests that East Kentucky Power Cooperative, Inc. ("East Kentucky") file the original and 7 copies of the following information with the Commission no later than 10 days from the date of this request, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the response to the Commission Staff's First Data Request dated July 27, 2006 ("Staff's First Request"), Item 3(a). In the response East Kentucky states, "EKPC had understood that such a change in depreciation rates could be applied retroactively for ratemaking purposes, once the new rates are approved by the

Commission, and assumed that such an adjustment for a reduction in expenses could be made to the environmental surcharge prior to final action by the Commission in a two-year review.”

a. Explain the basis for East Kentucky’s understanding that new depreciation rates could be applied retroactively in the environmental surcharge.

b. Explain the basis for East Kentucky’s assumption that there would be an adjustment in the environmental surcharge during the 2-year review to reflect the retroactive application of the new depreciation rates.

2. Refer to the response to the Staff’s First Request, Item 7, page 4 of 4. The response shows that East Kentucky’s annual depreciation expense, based on December 31, 2005 data, would be reduced by approximately \$13.5 million due to the implementation of the proposed depreciation rates. The depreciation rates approved in the settlement agreement in Case Nos. 2001-00140¹ and 2001-00141² for Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) resulted in reductions of annual depreciation expense of \$12.8 million and \$5.3 million respectively.³

a. Given that the proposed depreciation rates result in a reduction of its annual depreciation expense, would East Kentucky agree that in this regard its

¹ Case No. 2001-00140, Application of Kentucky Utilities Company for an Order Approving Revised Depreciation Rates, final Order dated December 3, 2001.

² Case No. 2001-00141, Application of Louisville Gas and Electric Company for an Order Approving Revised Depreciation Rates, final Order dated December 3, 2001.

³ Case Nos. 2001-00140 and 2001-00141, December 3, 2001 Order at 7.

application is similar to the KU and LG&E depreciation rate proceedings? Explain the response.

b. Given that the settlement depreciation rates in Case Nos. 2001-00140 and 2001-00141 and the depreciation rates proposed in this proceeding all result in reductions in annual depreciation expense, explain in detail why the application of East Kentucky's proposed depreciation rates to its environmental surcharge should not be consistent with the decision in Case Nos. 2001-00140 and 2001-00141.

3. For purposes of this question, assume that East Kentucky's proposed depreciation rates produced an increase, rather than a decrease, in depreciation expense of \$13.5 million annually. Would East Kentucky have proposed to retroactively apply the new depreciation rates to its environmental surcharge calculations? Explain the response.



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DATED September 26, 2006

c: All Parties